Entheos Academy has been audited regarding performance of:

#### **Current charter agreement:**

The school appears to act in compliance with its charter in areas of financial concern. It has identified a minor segment of its policy manual which is not in line with the intent of the board to ensure compliance with statute and rule, and will amend wording in its policy manual to clarify its fee policy in consonance with UCA 53A-1a-513(9)(b) and to interpret its chartering language in an appropriate manner.

### **Contractual agreements:**

The school is required to uphold certain standards of reporting which the school has complied with. It is bound by a set of financial and operational requirements by trust indentures associated with its bonded status. These are accommodative of expansion in that these financial constraints are reasonable and do not present an unmanageable financial burden, and the school has been able to maintain all appropriate reserve balances.

#### Financial records:

**Current Asset Holdings:** At the end of fiscal year 09, net asset holdings as per audited financial statements were reported as \$226,628. The inclusion of long term assets and liabilities diminished this value slightly, to \$260,084. It is expected that the school will end the year with around 7% of received funding in additional reserves. The school may nevertheless still see a mild decline in net assets over 2009 values at the level of full accruals due to depreciation costs and the value of long term debt as against the value of facilities, land and equipment. The school held \$784,362 in reserve accounts at the end of the most recent reporting year, while unrestricted net asset holdings were roughly synonymous with the value of net asset holdings.

**Long Term Liabilities:** The school purchased land, equipment and facilities (\$5,055,697) through bonding (\$5,930,000 outstanding) through industrial bonding statutes on July 15, 2008. Principal and interest payments currently make up 18% of MSP funding, and just 13% of total funding. The average among all schools holding facility bonds is 20% and 17% respectively for MSP and total funding, implying that the school has above average opportunity to ensure stable programmatic expenditures, accommodate budgetary decline, and successfully manage capital or other expansion.

**Trend in Net Asset Growth:** A positive operational balance at year's end has characterized each year in operations, such that more revenue was received than was expended in all years.

**Budgetary Control:** Budgetary allocations have differed from actual expenditure by less than 1% of the value of total budgetary allocations. In 2009, auditors found that the school exceeded its official budget as it failed to account for capital transactions as per accounting convention, however this is a mechanical issue only which auditors understand to affect financial reporting but not the fundamentals of the school's financial position.

**Budgetary Estimation:** In the most recent fiscal year (2009), estimations of MSP funding allocations based on expected enrollment were 2% above actual values generated by true student population, while federal funding estimations were in fact 20% below received values. Each represents controlled, fiscally conservative estimations.

### **Audit Findings:**

R277-470-15(5) requires that there have been no repeat findings of deficiencies on outside audits for at least two consecutive years. Auditors have not identified material or significant deficiencies in the school's internal controls or financial reporting. Issues noticed have been fully addressed as to their content and do not present a concern.

In 2009, 2008, 2007, auditors noted failure to adequately comply with requirements of the Utah Money Management. In consultation with its Trustee, the school has reviewed its asset management/deposit policies and found that these (a) are in compliance with Money Management requirements, and (b) that the auditor's methodology led to an erroneous finding.

Other minor problems have been observed with regard to components of internal control, and were not subject to repeat finding. Staff changes have successfully allowed the school to address these concerns.

In 2007 the school engaged in related party transactions with regard to facilities and accounting services, and allowed furniture owned by a landlord to be purchased in the school's name such that the landlord was not initially subject to sales taxes. Such materials constituted semi-fixed equipment such as white boards, and the school was unaware of a problem rather than acting so as to bring about undue tax advantage. The school reversed this measure and settled taxes appropriately upon identification of the problem.

## **Expansion Application Review of Materials:**

**Facilities Planning:** Facilities planning exceeds descriptions offered in the context of the original satellite request. The school states that "Entheos has not settled on a specific building site. There continues to be several good options which the school is currently exploring. During this selection phase, Entheos will continue to consult with experts in the field of Real Estate, Finance and Land Development. Entheos school leadership has done this before and believes it can successfully orchestrate the site selection, financing, development and construction of an economical facility for the satellite location." The school plans to work with design and building professionals throughout the site selection process, such that it will appropriately address all pertinent concerns.

# **Expansion Budget:**

Salary structures are placed high in terms of key organizational figures, and business services costs are not characterized by economies of scale, however the school finds these to be in line with current market standards and the demands inherent in managing each campus as a separate entity. Other costs are assumed to closely mirror those of the parent school during fiscal year 10; with respect to "shared positions," the school notes that "Although Entheos is not looking to create a "district" type model, there will be a material reduction in labor and contractor costs as a result of the new Satellite." Given that this will be determined largely or entirely by board policy as it sets in place salary structures and employment duties, this is an acceptable expectation. Equally, projections based on past experience with precisely the instructional model that will be used in the satellite are expected to prove a sound indicator of satellite costs. This budget thus satisfies USOE expectations.

#### Other:

Officers and Directors Liability Insurance through Heiner Insurance Center has been appropriately renewed.